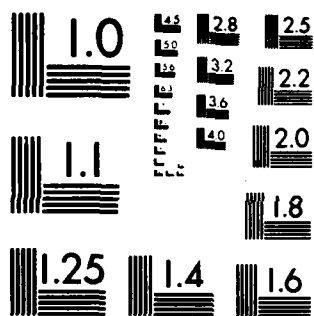


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April 15, 1983

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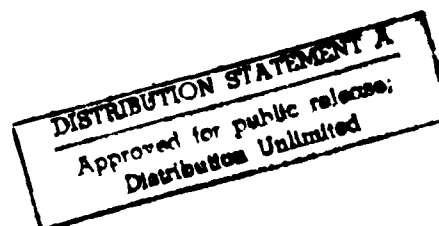
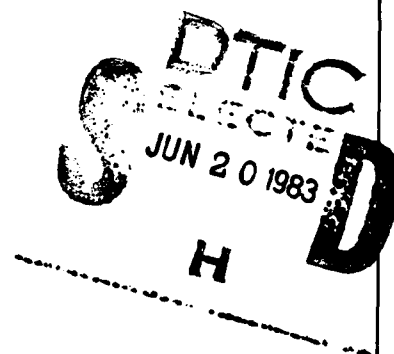
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FINANCE CENTER

April 15, 1983

Contract Number: N00014-83-C-0116



Prepared for:

Planning and Systems Evaluation Division  
Navy Accounting and Finance Center  
Crystal Mall, No. 3, Room 507  
Washington, D.C. 20376

THE ORKAND CORPORATION

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## EXECUTIVE SUMMARY

This report contains a comprehensive examination of long range planning techniques currently in practice in public and private organizations which may be potentially beneficial to the planning process at the Navy Accounting and Finance Center (NAFC). The material in this report is based on extensive research in two primary areas:

- 1) Prominent business journal articles which discuss private sector planning techniques and methodologies with possible applications to the NAFC planning effort.
- 2) Department of Defense and other Federal agencies interviews to examine public sector financial management systems planning techniques.

This report extracts from current thought and practice a general framework of effective planning practices which may aid NAFC in enhancing its planning process.

## SUMMARY OF FINDINGS

The major finding resulting from the research of current planning techniques is that there is no universally accepted planning process. The long range plan and planning process developed for a given organization should be a conglomeration of techniques which are uniquely suited to that organization, considering its planning needs and planning staff. Briefly outlined below are the major findings of this research which are pertinent to NAFC, and which are discussed in greater detail in the body of the report.

- Long range planning is the process by which an organization makes decisions to position itself so that it can influence its future and prosper in the out-years.
- Planning is especially critical in the area of automated systems due to the long lead time necessary for acquisition, design, and development.
- One of the most important benefits of strategic planning is the information provided to management for decision-making purposes. Planning provides management with data on assumptions, risk, resource allocations and alternatives. Plans are also beneficial in that they establish organizational frameworks which relate the work to be done for the goals to be achieved. Plans can also aid in motivating employees.
- The purpose of MIS planning is to develop an overall approach to implementing systems which is consistent to the goals of the organization as a whole.



- Senior management commitment is regarded by many authorities as a primary necessity in an effective planning process.
- The participation of operating managers in the planning effort ensure that a plan's objectives and planning assumptions are realistic. Without this participation, goals and objectives may be developed which are impossible to achieve.
- The development of an effective planning process involves a number of evolutionary stages and takes many years to achieve. Many of the problems associated with an organization's planning process can be attributed to the fact that their process skipped an entire evolutionary stage.
- By stimulating long range thinking, creativity can be maximized. This can be achieved by examining several viewpoints through promoting the "devil's advocate" role so that operating managers are forced to spend additional time thinking through their proposed improvements and ideas. A planning group may also purposefully generate counter strategies with the aim of achieving a final product which is better than the original proposal.
- A structural planning process provides consistency and allows the participants to develop knowledge and experience in strategic issues. It also provides synergy between sections of the organization and brings attention to the planning effort.
- An organization's overall goals and objectives become the foundation of any long range plan. The goals will describe the organization's future destination. The long range plans will set up a "road map", giving directions to the destination.
- In developing long range planning assumptions, planners must identify assumptions which impact future plans. This development involves isolating assumptions which have a high probability of occurrence within the planning time frame. These assumptions should take into account events in both the external and internal environment involving economic, political and/or technological changes.
- Analyses on alternative strategies should be based on these long range forecasts and assumptions. A multiple scenario approach can be useful. In this approach, scenarios are developed based on a limited number of variables, each of which have a potential to make a significant impact on the alternative strategies.
- An assessment of state-of-the-art technologies allows the planners to determine which technologies will be available during a development's life cycle and how the technologies might interface with their current systems. If no assessment is performed, system improvements may be based on out-of-date, less efficient alternatives, which may increase maintenance and enhancement costs.

- A strong linkage is necessary between planning and budgeting. This will control the emphasis of short-term decisions to the detriment of long range planning. A linkage encourages a commitment to the future as well as the present.
- Control is necessary to ensure the achievement of the objectives and projects as laid out in a plan. Essential components of an effective control system are feedback and evaluation mechanisms. These mechanisms motivate the participants toward the planned objectives.
- The use of a project control form is beneficial to the planning and systems evaluation function. The project control form provides a framework for communication between project managers and the planners. It is also useful to senior management as a decision-making tool for resource allocations.

## I. INTRODUCTION

### PURPOSE

Strategic planning is an essential activity in all organizations, however, the process of planning itself is by no means a standardized function. No single, best method of planning exists to guide managers in preparing for the future.

Many planning systems in current use have evolved largely from the budgeting process. The state-of-the-art in planning technology remains far from being a science. Moreover, there is little or no agreement on logic, systems, or even vocabulary to guide the formation of that technology. However, there have been areas of ordered progress in the field in recent years. It is therefore quite valuable for an organization, such as NAFC, which is interested in improving its planning process, to observe what has been occurring in both theory and practice in order to capture the best of these developments.

Under the requirements of contract number N00014-83-C-0016, Assessment of the Planning Process for Development and Update of the Financial Management Improvement Program, The Orkand Corporation has examined the body of data available in the literature on planning in order to identify theoretical concepts and planning techniques of potential benefit to the Planning and Systems Evaluation Division at NAFC. Additionally, through a series of interviews, the findings of this literature research have been reinforced through first-hand knowledge gained of actual planning techniques currently utilized at other government agencies. As such, this report extracts from current thought and practice a general framework of effective planning practices which, we hope, will aid NAFC in its attempt to enhance its own planning process.

### METHODOLOGY

In preparing this report, several information sources were researched. Numerous technical articles from leading business journals were reviewed which described current planning practices in the private and public sector. The literature reviewed was chosen based on its timeliness and direct relevance to the planning effort at NAFC. In particular, the topic of management information systems (MIS) planning was considered to be of specific importance in this selection process. These articles are discussed further in this report and are referenced throughout the text. A formal bibliography is contained in Appendix A.

To determine what comparable financial management systems planning techniques were used by other organizations in the federal government, thirteen interviews were conducted by The Orkand Corporation with planning personnel

in a variety of Department of Defense (DOD) and other Federal agencies. The interviews were with either the director of a formal strategic planning unit or an individual in a key administrative position.

Interviewees were questioned regarding their current long range planning process and the development of a master plan document. Additional subjects of discussion included: the size of the agency's planning staff; the organization of the planning effort; senior management commitment; goals and objectives; planning assumptions; analysis of alternatives; operating manager participation; and the integration of state-of-the-art planning technologies. A report on each of these agency interviews is contained in Appendix B.

#### CONTENTS OF REPORT

Chapters II and III of this report will discuss planning concepts and techniques mentioned in the literature and in the agency interviews conducted by The Orkand Corporation, which have potential for application to the planning efforts at the Navy Accounting and Finance Center. MIS planning issues will be emphasized since NAFC has a primary concern with the long range planning of automated accounting and financial management systems. The material in this report is based on the opinions and experiences of individuals considered to possess expertise in the area of planning.

The discussion portion of this report will be divided into three chapters:

- Chapter II - Long Range Planning
- Chapter III - The Planning Process
- Chapter IV - Conclusion

Chapter II will focus on what long range planning is, how management uses it as a decision-making tool and why strategic planning is an important function. The discussion in this chapter is basically generic in nature, focusing on the characteristics of long range planning.

Chapter III will focus on the planning process itself. Each step in the planning process will be discussed, with examples of the approaches used at the agencies interviewed. The possible applications of these planning techniques at NAFC will be discussed in this chapter.

Chapter IV summarizes the major aspects of long range planning and the planning process.

## II. LONG RANGE PLANNING

Long range planning is a relatively new area of concern within organizations that has evolved over the last three decades. During the 1950's, planners were viewed as salesmen attempting to persuade senior management that a systematic planning process which looked into the future was essential to the success of the organization. In the 1960's, planning became an established function and the planners focused on the process itself. Since the 1970's, planners have become more sophisticated by utilizing automated tools for modeling and simulations.[28]

This chapter will discuss the definition, features, and rationale of the long range planning function. The major segments of discussion on long range planning will be as follows:

- Definition
- Benefits
- Private versus Public Sector
- MIS Planning
- Characteristics of Ineffective Planning
- Prerequisites of Effective Planning

### D. DEFINITION

Despite confusing semantic differences existing in planning vocabulary, common terminology was found to be expressed in the literature reviewed. Long range planning is the process by which an organization makes decisions to position itself so that it can influence its future and prosper in the out-years. Long range planning takes into account the futurity of present decisions and provides a framework for establishing a course of action to attain organizational goals. Its time frame generally ranges from three to ten years depending on the characteristics of a particular organization. This report will use the terms "long range planning" and "strategic planning" interchangeably.

The long range plan considers only major topics and issues. It is needed to coordinate activities, meet obligations, and control risk. It deals with the planning of new processes to take the place of obsolescent ones.

Through the long range planning process the organization is able to develop a flexible and responsive attitude to everchanging events. An active planning process enables an organization to set goals which are realistic so that it can control the future and take advantage of opportunities. Gary L. Neale, President of Planmetrics, emphasizes the importance of planning, "If you can't forecast, all you can do is react quickly." [21]

Planning is especially critical in the area of automated systems due to the long lead time necessary for design, development and acquisition. Through the examination of the user needs, system requirements, and system functions during the planning effort, long range planning ensures that there are mutual expectations within the organization regarding the system's function. Planning also ensures that the projects maintain a consistent direction throughout the years of design and development.

#### BENEFITS

One of the most important benefits of strategic planning is the information provided to management for decision-making purposes. Through the planning process, the critical out-year assumptions are identified and the uncertainty and risk involved is measured or estimated. Viable alternatives are developed based on organizational objectives and cost/benefit analyses. Resource allocations are established to provide guidelines for operational activities. Thus, planning provides management with data on assumptions, risk, resource allocations, and alternatives.

Plans also establish organizational frameworks. A strong organization directly relates the work to be done to the goals to be achieved, as included in the Plan. With the development of the Plan, it is determined what work should be done, who should do it, and how it can be done most effectively.

Another important benefit provided by planning is the increased flexibility of operations. Planning provides an ongoing evaluation of organizational goals and objectives. It can alert management when a change in direction is necessary due to a shift in the environment. Planning can also provide contingency plans which enable the organization to plan for alternative courses of action when there is a change in the environment.

Plans serve to facilitate communication between the technicians or line managers and senior management. The planning process provides a communication path where senior management can express their overall goals to the people performing the functions and, at the same time, the technicians can express their ideas and suggestions regarding the organization's future to senior management.

Plans can also aid in motivating employees. Individuals will accomplish more when they have a clear picture of the goals and objectives they are working toward. In order for the plans to be a motivating factor, the operating managers must feel that the plans are their own. This can be achieved through their participation and the use of feedback mechanisms.

## PRIVATE VERSUS PUBLIC SECTOR PLANNING

In the private sector, long range planning focuses on profit and survival. Senior management sets overall corporate goals based on a profit measurements such as return on assets, a prescribed percentage of market share, and/or an established level of sales. The division or individuals responsible for plan coordination will receive input from the various functional managers based on the assumptions and scenarios adopted by senior management.

Most organizations prepare pro forma financial statements to aid the planners in determining company profit under several scenarios.[3] Given the overall goals and objectives of senior management, the Plan will establish: the type and volume of products/services the company will provide in the future; the general direction of the firm; the expansion and expenditure policies; and the debt/equity structure. The company will then determine its MIS needs based on forecasted expansion, products, and volume.

In contrast, within the public sector there is no profit motive or easily quantifiable performance criteria. The public institution's boundaries are based on strong budgetary control. Without a profit measurement, it is difficult to assess its effectiveness or efficiency and, therefore, to determine which areas are in need of improvement. Also, the public institution's functions are based primarily on the needs expressed by the client or community with less emphasis given to the desires of the organization's management.

The purpose of long range planning within a public institution is to determine a future direction to assure the satisfaction of the community needs. The goals and objectives developed to achieve the direction should be in line with projected budget constraints to ensure that the Plan projects are realistic.

In a case study of planning at the local government level, Bradford County developed a planning process which considered both key policy issues and resource guidelines. Based on these issues and guidelines, objectives were designed to satisfy community needs and determine the government's future direction. Achievement targets and priorities were set which were relevant to the overall objectives.[9]

Many of the federal agencies that were interviewed by Orkand said that they use their institution's overall goals as a baseline for the planning of projected accounting and financial systems. For example, in the General Services Administration's (GSA) Five Year ADP Plan, the first section lists GSA objectives and operational areas which need improvement. Listed alongside each objective and problem are the projected system projects which address each issue. In this way, senior management is assured that the Plan focuses on system enhancements for both current deficiencies and future objectives which are consistent with the agency's overall objectives.

## MIS PLANNING

Since NAFC is responsible for the long range strategic planning of DON-wide accounting and financial systems, this report will emphasize planning issues which are pertinent to MIS planning.

The purpose of MIS planning is to develop an overall approach to implementing systems which is consistent to the goals of the organization as a whole. It is important that senior management's philosophy for the overall organization is expressed in the strategic plans for MIS systems.

MIS planning must stress the integration of systems. This is especially important in a decentralized institution where numerous systems are developed to satisfy the needs of individual divisions. In this situation, system integration may result in less system redundancy.

There is some disagreement regarding the usefulness of long range MIS plans in light of the rapid advancement of technological changes. It must be understood, however, that even though such changes may hasten the obsolescence of the processes for implementation of the Plan's projects, the goals and objectives incorporated in the Plan will still be valid. Without long range plans, short range planning has the tendency to lack consistent direction. This lack of consistent direction may result in ineffective systems which do not meet the user's need as originally planned.

The necessity for long range MIS plans is intensifying for several reasons. One factor is the increasing length of time between the initiation of a project and its completion. During this long time period, the project will be impacted with personnel, environmental, and technological changes. A long range plan will assure that the project continues in a consistent direction.

A second reason for the increasing importance of long range MIS plans is the significant commitment of time and money required for system development. With this commitment of time and money, the organization will want to take any steps necessary which will result in an effective, efficient system. Long range planning is one important step. Planning can minimize the risk of additional dollar outlays to correct system deficiencies which have occurred due to the lack of consistent direction.

Long range MIS plans are also receiving prominence in highlighting the specialized skills and technological expertise needed for systems development. Long range planning can be useful in determining the amount and type of labor resources anticipated over time to accomplish the institution's objectives.

All of the large, decentralized federal agencies interviewed by The Orkand Corporation agreed that long range MIS planning is necessary to develop realistic project priorities, to reduce duplication of effort, and to emphasize systems interface. This has become especially true for financial systems in recent years due to the trend toward developing standardized systems and achieving GAO acceptance of the systems. Senior management in these agencies



are utilizing the Plan to satisfy their concerns that the systems development efforts contributed to the overall mission of the institution as mandated by their charter.

The amount of detail expressed in the MIS plans should be consistent with the inherent amount of risk. The main reason for increasing the level of detail is to minimize the risk. An equilibrium should be reached whereby the level of detail is most cost effective. Team experience, project complexity, financial losses, project duration, and reporting requirements are all factors of risk which will impact the level of detail and should be considered during the planning process.[35]

#### CHARACTERISTICS OF INEFFECTIVE PLANNING

The literature cited some common errors which contribute to ineffective strategic planning.

In MIS planning, there is a tendency for organizations to plan systems which are too simplistic or too detailed. Planners should select projects which are consistent with the sophistication level of the institution. Cost/benefit analyses can aid in determining the level of detail of the system. The detail needs to be constrained by the benefits associated with the system; benefits must be greater than the costs.

Organizations are also inclined to postpone projects until other firms have a chance to test innovations in order to minimize development risks. Due to the unique problems faced by each institution, it may not be wise to try to duplicate the success of others.[6]

In their article, authors Tripp and Wahl discuss three reasons for difficulties in systems planning:[35]

- 1) the designer's inability to assess the complexity of a prospective system;
- 2) the lack of well-established methodology for the definition and construction of system functions; and
- 3) the magnitude of the intellectual process that occurs between the understanding of the user's needs and the delivery of a completed system.

A planning process should be developed which will minimize these difficulties. Many of the potential problems can be eliminated through the use of an experienced planning staff which is knowledgeable about system development and which utilizes its interfaces with the operating staff to understand the prospective system's functions and the user's needs.

There are several symptoms which signal a decline in planning success. In their efforts to continually update and improve the planning system, planners should be aware of the following characteristics which may indicate an inefficient planning process:[13]

- 1) Planning choices are based solely on historical data without consideration of future contingencies.
- 2) Contact between the planners and senior management is rare.
- 3) There is a lack of interaction in the process; it is developed entirely using a top-down or the bottom-up approach.
- 4) The Plan contains excessive quantities of data.
- 5) The Plan document consists entirely of tables.
- 6) There is no statement of assumptions and no statement on the risk or level of uncertainty involved.
- 7) The planners, rather than the line managers, are producing the majority of the input and forecasts.
- 8) There is no communication of the chosen strategies.
- 9) There is no analysis completed on the variance between plans and actuals.
- 10) Actual events frequently destroy the basis of existing plans.
- 11) Planning procedures have not changed for years.

These ineffective planning characteristics were repeated in a survey of managers and planners involved in the planning effort. The survey found that 25% of the managers felt that a major area of weakness in their organization's planning effort was due to unreliable data. This weakness could involve characteristics numbers 1,2,3, and 7 mentioned above. Additionally, 29% of the managers felt that a major weakness was due to fragmented, inflexible plans. Here again, a number of the characteristics mentioned above can be factors contributing to this weakness. Similarly, 24% of the planners perceived that fragmented, inflexible plans were a major weakness. The other areas of weakness quoted by the planners were: unreadiness for planning activities, 16%; and noncreative, restraining growth, 14%.[32]

The majority of the ineffective planning characteristics described above are found in the planning effort of NAFC. The objective of this report is to identify planning techniques which can improve the process at NAFC and eliminate a number of the problems listed above. The description and possible application of these techniques by NAFC will be discussed in Chapter III.

The above list of ineffective planning characteristics can be utilized to objectively evaluate the existing planning process and plan document at NAFC. As a result of this evaluation, NAFC will be in a better position to initiate improvements.

## PREREQUISITES OF EFFECTIVE PLANNING

The literature describes a number of planning prerequisites which represent aspects of the organization's planning environment that will impact the effectiveness of the Plan. The important prerequisites to an effective planning environment are discussed below.

### Readiness to Plan

The institution must be ready for the planning effort. This "readiness to plan" aspect considers: the organization's experience in long range planning; the qualifications of both the planning staff and the managers who will supply Plan input; the amount of appropriate guidance from the planning staff regarding the process; and amount of guidance from senior management regarding overall goals and objectives.

The preparation step of the planning process discussed in Chapter III will describe a set of procedures available to NAFC to prepare the Navy Comptroller organization for the planning effort. These procedures will aid NAFC in communicating the expected role of the directorates, planners, and management in the planning effort.

### Senior Management Commitment

Senior management commitment is another aspect of the organization's planning environment that is very important. It is regarded by many authorities as the primary prerequisite to planning. It must be clear to the operating managers who provide plan input that senior management recognizes the importance of the planning effort. With this commitment, the operating managers will be motivated to allocate resources to the long range planning effort. Without pressure from top management, the operating manager will concentrate on the short term day-to-day problems.

In many cases, the extent to which management's commitment to long range planning is likely to occur was found to be proportional to its perceptions of the benefits of planning in aiding decision-making regarding alternative courses of action. It was also suggested that it is not enough for top management itself to merely be aware of the need for long range planning; someone near the top of the organization must also take the initiative in pushing long range planning company wide. Otherwise, the chances are remote that it will ever be started.[34]

Another argument for involvement of upper level executives in developing long range plans is that, with so many factors to be considered, only those individuals with real management breadth are capable of assigning proper weights to the many different considerations involved in charting a future course of action. Specialists with more narrow, departmental points of view can only make limited contributions to an overall plan for the company.

The finding that top management commitment added considerable strength to the planning effort was reiterated in the agency interviews. This may be due, in part, to the increasing number of chief executive officers involved in the

planning process, a shift from 6% in 1974 to 17% in 1979.[3] In the case of both the Departments of the Army and the Air Force Accounting and Finance Centers, personnel responsible for long range financial systems planning have a relatively direct communication link with the Comptroller.

It is interesting to note, however, that one of the main concerns of the NAFC directorates interviewed by Orkand was the lack of senior management commitment. This can be attributed partially to the fact that the Planning Branch does not have a direct line of communication with senior management.

#### Operating Managers Participation

The participation of operating managers in the planning effort ensures that the institution's objectives and planning assumptions are realistic. Without this participation, senior management may develop goals and objectives which are impossible to achieve given the operating manager's staff, equipment, resources, etc.

The operating managers can provide invaluable information regarding the probable levels of achievement based upon the current situation and long range assumptions. Also, when the operating managers provide input, they are usually more committed toward achievement of the goals and projects within the Plan.

Operating manager involvement will provide consistency between the long range goals and the short term operating decisions. Also, when knowledgeable about future goals and strategies, the managers will exhibit commitment and understanding of the relationship between day-to-day operations and the organization's overall goals. If the Plan is meaningful to the managers, the objectives are more likely to be executed in the intended direction.[38]

To encourage the line managers to adopt and achieve organizational goals, senior management must make the managers accountable. This can be achieved by giving the managers the necessary responsibility and authority and requiring periodic progress reports to upper management.[33] It is necessary for the managers to agree with the goals before they can effectively achieve them. This fact emphasizes the importance of manager participation in the planning effort.

Another important aspect of line manager involvement is the expertise and creativity they can contribute to the planning effort. If the Plan relies only on the ideas of the planning staff or planning committees, the amount of creativity engaged in the Plan will likely be limited. Ideally, the maximum source of creativity and expertise would be available if the organization's entire staff participated in the planning effort.

Even though planning through involvement is adopted by most experts, it has not achieved widespread use within organizations. It is suggested that this is because the planning group perceives staff involvement as a threat to its power. In addition, the manager perceives the involvement as a manipulation by the planning group and/or the manager is concerned that through this involvement their dependence on the planning group will increase.[8]

Operating manager involvement is especially important to the area of long range MIS planning. Due to the specialization of skills and the high level of technical expertise involved in automated systems, it is necessary to involve those individuals who are most knowledgeable. Also, the operating managers are well informed regarding operational system problems and, therefore, can provide invaluable input regarding needed system improvements and enhancements. The planning effort at NAFC needs the expertise of the directorates to ensure a realistic Master Plan.

The importance of senior management commitment and operating manager participation was reiterated in a survey which included 283 individuals involved in planning from 68 Fortune 500 companies. These individuals were asked about the strengths and weaknesses in their long range planning effort. The findings showed that 52% of the planners and 42% of the managers felt that top management support and participation by managers were areas of strength in their planning efforts.[32]

### III. THE PLANNING PROCESS

This chapter will concentrate on the planning process itself. The chapter is divided into five planning process subjects:

- 1) Preparation;
- 2) Evolutionary Stages;
- 3) Types;
- 4) Steps; and
- 5) Plan contents.

#### PREPARATION FOR THE PLANNING PROCESS

The literature emphasized the importance of preparing for the planning process. The most common difficulties experienced by the institutions while implementing the planning process and the possible solutions to these difficulties are discussed below.

One common problem involved in implementing a planning process is the reluctance of senior management to accept techniques with which they are not familiar. During the planning preparation step, the planning staff should discuss with senior management its procedures, assumptions, methodology, rationale and analyses involved in long range planning. This will allow the planners and management to reach a consensus on the factors that impact planning and how these impacts should be measured and dealt with in the planning effort.

Another problem which occurs during the implementation of a planning effort is ineffective communication lines between organizational divisions. This results in a lack of participant understanding regarding the type of plan input required of them. A possible solution to this problem is to provide guidance from top management which will give the staff a greater understanding of the planning process.

This guidance should provide a clear indication as to senior management's attitude toward manager participation in the planning effort. It should indicate whether the objectives of the organization and divisions are subject to discussion or whether senior managers will make these determinations without further input. It should discuss the creativity and inventiveness at the division level that will be honored or expected.

In addition, this guidance should clearly define the type of contributions expected from the individuals involved. Examples of types of contributions include: taking initiatives; making an actual contribution; taking part in the decision making; having the responsibility of seeing that the decisions are honored; and overseeing the implementation.

Another problem that can hinder the implementation of a planning effort is the lack of a competent technical staff. Care should be taken to hire personnel who are experienced in long range planning and are able to think conceptually, be creative and look at the whole picture without being stifled with details.

The lack of a suitable training session for managers is another potential implementation problem. A formal training session should be scheduled which will provide the operating managers with insight regarding the theory of strategic planning, the rationale for the function, the procedures involved in the process, timetables, and the willingness of the planning staff to provide assistance.[18] [28]

It is just as important to develop procedures for the implementation of the planning process as it is to develop the planning process itself. Without an orderly system for implementing the planning effort, even the most effective planning process is ripe for failure.

It is necessary for NAFC to complete this preparation step during the implementation of their revised planning process. As mentioned earlier in this report, one of the prerequisites of an effective planning process is the readiness to plan. If this preparation step is ignored, it will be very difficult to achieve a successful planning effort.

In NAFC, like the other organizations, it is important that the participants in the effort understand who they are and what is expected of them. This understanding requires guidance from both management and the Planning Branch. It is suggested that NAFC organize a training session for the directorates. This session will emphasize: the theory and rationale for long range planning; the directorates role in the effort; the kind and timing of plan input; the planning process procedures; and management's expectations.

NAFC should also keep management informed on the progress of the planning effort. Management should understand and agree with the planning procedures and methodology. With management's understanding of the process, it is much more likely that senior management will demonstrate commitment to the effort.

#### EVOLUTIONARY STAGES OF THE PROCESS

The literature discusses a number of evolutionary development stages of a planning process before an institution can achieve an effective planning effort. Authors Wheelwright and Banks feel that many of the problems associated with the strategic planning process can be attributed to the fact that the organization's planning process skipped an entire evolutionary stage. The evolutionary development of the planning process involves five stages:[38]

- 1) Preplanning
- 2) Initial Development
- 3) Intermediate Development
- 4) Advanced/Comprehensive
- 5) Advanced/Simplified

The Preplanning stage is characterized by the strategy development and decision-making being centralized at the senior management level. This stage is necessary to develop senior management understanding and commitment for the planning effort.

The Initial Development stage involves the planners defining the planning system. It is often found in decentralized organizations. This stage is necessary to develop expertise within the planning staff.

In the Intermediate Development stage the planning system is functioning and is accepted within the organization. In this phase, senior management considers the Plan valuable but line managers perceive it as having only marginal value. There is considerable involvement by the planning staff, but only limited line management involvement.

In the Advanced/Comprehensive stage the commitment to the Plan is high at all levels of the organization. Planning is an integral part of the line managers' function and they do most of the planning. The Plan provides the basis for decision-making and performance evaluation. The managers' performance is evaluated on both short term and long term considerations. There is an explicit distinction between short term and long term goals. There is also some contingency and tactical plans developed in this stage.

The final stage, Advanced/Simplified, places more emphasis on the planning thought process by providing fewer details in the Plan document. This stage involves more communication between the management levels regarding corporate strategies.[38]

The evolutionary planning process developed by Wheelwright and Banks was applied to the planning functions observed by Orkand in our interviews at federal agencies. The majority of the agencies had, in our opinion, a planning process in the Initial Development or Intermediate Development stages. All of the agencies needed to improve or develop systems for contingency planning and for performance evaluations based on Plan milestones before their planning process could be considered in the Advanced/Comprehensive stage.

It should be recognized that it usually takes several years to implement an effective planning system. One study indicated that it took a particular company more than five years to progress from the Intermediate to Advanced stage. GE and NASA spent five years developing and implementing an effective planning system.[28]



The most important point of this section on the evolutionary stages of the planning process, is to recognize that the development of an effective planning process requires years of effort and dedication. Since NAFC has spent less than a year concentrating on the improvement of their process, they cannot expect to achieve an Advanced stage in a matter of months.

Based on the Orkand interviews with the NAFC directorates and the Planning Branch, the planning process at NAFC would probably be categorized in the Initial Development stage. This assessment is based on the fact that the Planning Branch defines and completes the planning process and the Plan document with little input from the directorates. However, NAFC seems to have skipped the Preplanning stage. The senior management at NAFC has never been involved in the planning process.

NAFC should concentrate its efforts on trying to achieve the next evolutionary stage. The primary characteristic of the Intermediate Development stage is senior management acceptance and commitment to the planning function. This commitment can be acquired only if the Planning Branch is successful in gaining management's respect and confidence by convincing them that the Planning Branch is capable of handling the planning function competently. It may be necessary for the Planning Branch to begin at the Preplanning stage in order to build a strong base for the future evolutionary stages of the planning process.

#### METHODS OF ORGANIZING THE PROCESS

While there exists a strong consensus that effective planning must begin and end with top management, it is equally true that no plan is any better than an organization's ability to implement it. Ideally, long term planning should be both a top-down and bottom-up process. However, it often takes place only at the top and ends there. Part of the reason for this is that top managers do not believe that lower level personnel can contribute effectively to long range plans. This can be a critical error as all plans must ultimately be carried out at the lower operating levels. Corporate managers have attempted to alleviate this gap by creating planning systems which maintain a proper top-down/bottom-up balance.

The long range planning effort needs to be organizationally structured so that it can maintain flexibility and ensure controllability and manageability. Everyone involved in the process must be aware of the basis, objectives, and expectations of the effort. A structured planning process provides consistency and allows the participants to develop knowledge and experience in strategic issues. It also provides synergy between sections of the organization and brings attention to the planning effort.

Basically, there are four approaches to organizing the planning process:[18], [16]

- 1) Management is responsible for the entire planning effort;
- 2) A central long range planning division is developed;

- 3) Numerous planning committees are instituted; or
- 4) A combination of both a planning division and committees is established.

The organizational structure in which management completes all of the planning fits into the Preplanning evolutionary stage, as discussed previously. The advantage to this structure is that the Plan can be completed quickly and easily. However, this top-down approach, where there is no line manager participation, can result in a lack of commitment from the operational divisions.

The top-down approach can be successful, however, if management provides strong leadership. If the staff trusts management, they will accept the chosen path and follow it. In this case, leadership entails taking the initiative in the adaptation of processes to develop clearly understood objectives.[24]

The other three organizational planning structures (planning division, committees or a combination) can be either a bottom-up approach or a mixture of bottom-up and top-down. In the bottom-up philosophy, the line manager will set priorities on the projects he controls. Bottom-up planning results in a Plan based on individual perspectives. Difficulties in coordinating and integrating all of the individual managers' input can arise with this approach. In bottom-up planning, there is also a danger of the plans being unrealistic or narrow, since the line managers and planners may lack the perspective available at the higher levels.

In the combination approach, the planning committees are supported by a staff planning division. This can result in either a bottom-up approach or a mixture of bottom-up and top-down, depending on the levels of the staff who are members of the planning committees. A mixture of staff will result in the greatest variety of viewpoints within the planning committee. In this structure, the planning division must not only provide staff support, it must ensure that the effort receives sufficient attention from the committees, senior management and the line managers.

Several examples of these approaches were found to be utilized by both public and private institutions. For instance, the Royal Perth Hospital has a planning structure which consists of three committees. This structure provides the opportunity for the whole staff to become involved. The Ideas Committee is made up of non-managerial staff which rotates into the committee every three months. They supply ideas to the Steering Committee. The Steering Committee members come from all levels of the organization. This committee approves the ideas or returns them to the Idea Committee for additional investigation. The approved ideas go to an Action Committee. The Action Committee is made up of managerial staff who are responsible for the implementation of the ideas.[8]

The Departments of the Air Force and the Army have organized their planning efforts utilizing a combination of a planning division and committees. The planning committees develop goals and objectives and review the plan

input. The planning division is responsible for the development and implementation of the projects included in the long range plan. They also chair the planning committees and monitor the process.

Both the Department of the Treasury and the General Services Administration utilize a central long range planning division. The planning division is responsible for coordinating the planning effort and developing the input into an overall long range strategic document. Plan input is supplied by line managers.

NAFC may want to consider creating planning committees as a method to improve their planning effort. The Planning Branch could chair the committees and monitor the process. The potential benefit of this type of structure is that, during a committee meeting, an atmosphere can be created which will stimulate long range thinking.

The committee structure also facilitates communication between the Planning Branch and the directorates. It would be advantageous to the planning effort if individuals in the management level were involved in the planning committees. If this were achieved, communication between the Planning Branch and senior management would greatly improve.

#### STEPS IN THE PLANNING PROCESS

The literature cited several major steps involved in the planning process. A structured planning effort provides consistency and regularity to the plan document. The following steps can provide the framework for a structured planning effort:

- 1) Determination of goals and objectives;
- 2) Development of long range planning assumptions;
- 3) Gathering of data and information;
- 4) Development of alternatives;
- 5) Analyses of alternatives;
- 6) Determination of Plan choices;
- 7) Development of contingency plans;
- 8) Establishment of linkage between long range and short range plans; and
- 9) Establishment of control and feedback mechanisms.

Each of these steps will be discussed in detail in this section. The discussion will include the methodology utilized at other organizations and possible applications in the NAFC planning effort.

Since NAFC's long range plan consists of prospective system projects, it must be recognized that project planning requires specialized items which should be incorporated into the planning process. These items include: 1) defining the project; 2) identifying specialized tasks and responsibilities; 3) identifying interfaces, and 4) determining milestone events.[35] NAFC may want to consider the inclusion of each of these items in the Master Plan and during the analyses of alternative strategies.

#### Determination of Goals and Objectives

Organizational goals express the desired state of affairs which the organization will attempt to realize; they are levels of aspiration that are relatively timeless. Objectives are the ideas or tactics which are developed to direct the organization toward the attainment of its goals.

The organization's overall goals and objectives should be developed or, at least, approved by senior management. These goals and objectives will become the foundation of the long range plan. The goals will describe the organization's future destination. The long range plans will set up a "road map", giving directions for reaching the destination. It is easy to see the importance of clearly defined goals. Without a final destination (goals) a road map (long range plans) cannot be effective in determining the organization's direction.

Goals are useful motivators only when the operational managers, who must carry out the plans, understand and support them. The communication of long range strategies can be accomplished through meetings and plan presentations. It is critical that the individuals involved in the implementation of the objectives have a clear picture of what they are trying to achieve.

The Plan is developed to achieve both strategic goals and tactical objectives. All the tactical objectives support one or more strategic goals. If an objective is developed to support one level of the organization, it must fit logically into the hierarchy of objectives. If it doesn't fit into the hierarchy, it must either be abandoned because it diverts energy away from the other objectives, or the higher level objectives must be modified to reflect the appropriate emphasis.[15]

Since the objectives are used as guides to action, they need to integrate the activities of the individual units, functions, and divisions toward the overall goals. In order for the objectives to be effective they must: identify expected results; be measureable; be within the external and internal constraints of the organization; and be acceptable to the operational staff.

The planning division at the Department of the Interior places heavy emphasis on the development of organizational goals and objectives. The Chief of the Division mentioned that one of the three most important characteristics of a plan document is that it addresses goal achievement and resources. This emphasis is illustrated by the fact that Volume II of their three-volume planning document consists of: the overall goals and objectives; the planning process; and the planning environment.

The primary deterrent to the development of the overall goals and objectives of the DON-wide financial and accounting systems is that there is confusion within NAFC regarding who should be responsible for this activity. It must be determined whether senior management should develop the overall goals and objectives or whether the Planning Branch should be responsible for their development.

If the Planning Branch is responsible, there needs to be a communication link between the planning staff and management so that NAFC can consider management's strategic philosophies during the development. Also, it is necessary for management to adopt the goals and objectives subsequent to their approval.

#### Development of Long Range Planning Assumptions

In a survey of companies regarding their long range planning process, it was found that the percentage of firms that develop assumptions for their long range plan is on the increase. However, that percentage is still less than 50%. [3]

In developing assumptions, the planners must identify those factors that will impact future plans. The development involves isolating the assumptions regarding the future which have a high probability of occurrence within the planning time frame. The assumptions should take into account events in both the external and internal environment involving economic, political and/or technological changes.

The most popular source of information for the development of long range planning assumptions is the national economic trend. These data are used by 79% of the organizations. Data regarding population trends and political developments are used by 46% and 42% of the organizations, respectively. Also, assumptions on equipment acquisitions and the hiring and training of key managers are included in 68% and 44% of the cases, respectively. [3]

In the development of long range MIS plans, it is important to include assumptions regarding the impact of state-of-the-art technologies. Information systems technology sources can provide trend and forecast information to be utilized in the development of assumptions. The assumptions will address how the technology will most likely affect the system application environment.

The long range assumptions to be used in the planning process should be discussed with and approved by senior management. The Plan document should clearly state the assumptions utilized and those areas of vulnerability where a slight change in assumptions will have a large impact on the chosen strategies.

Both the Departments of the Army and the Air Force construct a comprehensive study which assesses the technological, economic, demographic and environmental variables of the future. The study results in the development of a "most likely" scenario. The assumptions included in the "most likely" scenario are utilized by the Accounting and Finance Centers for the development of their long range EDP plans.

It may be potentially beneficially to the planning effort at NAFC if long range planning assumptions are developed based upon its knowledge of: the current projects in process; the systems deficiencies and needed improvements; prospective system enhancements; legislative events; and actual and prospective state-of-the-art technological advancements. To the best of their ability, the Planning Branch should also consider external economic and political trends. These trends are especially important when examining the vulnerability of alternative strategies.

#### Gathering of Data and Information

This step in the planning process entails gathering the necessary data, information, ideas and suggestions from those individuals within the organization with the expertise or experience in the subjects included in the long range plan. As noted previously in this report, a study completed by Said and Seiler indicated that both managers and planners felt that a major weakness in their organization's planning effort was due to unreliable data.[32] Without sufficient and reliable data, the planning effort is bound to be ineffective.

It is helpful to be able to recognize the characteristics of effective Plan input. Effective input involves the determination by the directorate regarding what senior management expectations they are able to meet in the long term. Each project selected to meet these expectations must be clearly defined.

In the case of long range MIS planning, the division's input should state the need of the project and the project requirements. The project requirements should consist of an operation approach toward the goals of the system and the desired end products. These requirements can include: budget restraints; time frames; system criteria; personnel and dollar resources; and priorities.

One of the best ways to stimulate thorough plan data is through the involvement and participation of the line managers. The literature suggests that the successful evolution of a planning process includes increasing operating manager involvement.

There are numerous methods that can be utilized to increase line manager involvement and stimulate long range thinking. A planning conference is one method of getting the managers involved in the planning effort. This approach may be beneficial to NAFC. The conference agenda can include informal presentations and discussions on environmental issues and ideas of future actions. There can also be meetings scheduled for each division in which they present their plan input and the results of pertinent analyses.

Long range thinking can be stimulated by supporting multiple advocacy of different planning positions within the organization. By examining several viewpoints, creativity can be maximized. The planning staff may want to promote the role of "devil's advocate" to its staff members so that the operating managers will be forced to spend additional time thinking through their viewpoints and ideas. The planning staff may also want to purposefully

generate counter strategies with the aim of achieving a final product that is better than the original proposal.[8]

The General Services Administration promotes manager involvement through weekly meetings with the planning staff. These meetings include discussions on operational systems problems, possible courses of action to solve these problems, and the reasons for variances between Plan and actuals. The Departments of the Army and the Air Force have planning committees whose memberships include the managers of individual divisions. The Air Force also has an annual comptrollers' conference which includes a formal presentation of the Plan.

#### Development of Alternatives

Through the development of alternatives, the organization is able to examine numerous possible solutions to the plan strategies. The literature was not clear on whether the line managers or the planning staff/committees should be responsible for the development and analysis of alternative solutions.

During the agency interviews, it was discovered that the majority of the institutions relied on the operating managers for this type of input. The operating managers are in the best position to develop alternatives due to their expertise. However, to have the analyses completed by each division may be difficult, especially if modeling techniques are used. A planning division equipped with modeling tools would be in a better position to evaluate the alternatives. Also, when one group is responsible for the analyses, the results will be on a much more comparable basis.

During the generation of a revised planning process at NAFC, the Planning Branch must determine who will be responsible for the development of alternative strategies. The Planning Branch must take the responsibility for monitoring the process to ensure that all feasible alternatives have been examined using the appropriate analytical methodologies regardless of whether the directorates or the Planning Branch is responsible for the process.

#### Analyses of Alternatives

The analyses on the alternatives should be based on the long range forecasts and assumptions. Many companies utilize a multiple-scenario approach. In this approach, the scenarios are developed based on a limited number of variables. The variables which should be utilized are the ones that have a potential to make a significant impact on the alternative strategies. The scenarios are constructed to depict the full range of behaviors of the chosen variables.[22]

The multiple-scenario approach enables the planners to examine the alternative strategies under plausible future environments. It is also an important step in the development of contingency plans. Management should be made aware of all the scenario assumptions.

There are many types of analyses that can be used to evaluate alternatives; these include cost/benefit, sensitivity and risk. In each of the analyses, the planners should try to quantify as many variables as possible that may affect the course of the projects. Analyses make available to senior management the data for decision-making purposes.

During the agency interviews by The Orkand Corporation, it was discovered that the majority of the organizations rely on the operating managers for the development and analyses of alternative strategies. However, it could not be determined, through the interviews conducted at NAFC, who was currently responsible for the examination of alternatives. It is suggested that NAFC come to a general consensus with management and the directorates regarding who should be responsible for the development and assessment of alternative strategies. Also, it should be determined what kind of analyses needs to be completed so that management will be provided the same type of information on each project. This will assist management in assigning priority to the projects.

Cost/Benefit Analyses. Cost/benefit analyses assist management in choosing projects and assigning priorities during period of scarce resources. The advantage of this kind of analysis is that it can break down a complex set of alternatives into a single common denominator, cost/benefit, which can be used to compare the alternatives. It can also encourage project managers to keep their projects efficient, if each project is continually compared to competing projects on a cost/benefit basis during Plan updates.[15]

Risk Analyses. Risk or vulnerability analyses can determine the controllable and uncontrollable variables associated with each alternative. Risk analyses can identify threats which may damage plan strategies. Once these threats are identified, their impact and probability of occurrence can be evaluated.

Sensitivity Analyses. Sensitivity analyses can determine alternatives that are particularly sensitive to changes in the environment. Strategies can be developed that will reduce the organization's vulnerability to changes in the environment. Senior management should be made aware of especially vulnerable areas within the Plan during the approval process. Also, the Plan should contain a discussion on the kinds of situations that could significantly lower the value of the Plan, including precautions that can reduce the risks.

Simulation Models. A forecasting or simulation model can project trends and reveal the effect of implementing any number of possible changes. The model is designed to answer "what if" questions. Modeling techniques offer several advantages:

- 1) They encourage precise examination of the planning environment. The model is based on assumptions regarding the environment.
- 2) They encourage historical record keeping. One of the factors utilized during the development of long range assumptions can be historical trends.



- 3) The projects are compared based on concrete facts and analyses rather than rough guess work.[26]

The Shell Chemical Company has developed a forecasting model called a Directional Policy Matrix for analyzing qualitative considerations and comparing business sectors. Planners identify the main criteria by which prospects are judged and which criteria indicate a weak or strong prospect. These variables are used in a matrix formation to analyze alternatives.[29]

A survey of organizations that used planning models found an initial model failure rate of 27%. The initial models developed by the organizations were discontinued due to: lack of management support; the model was too complex; excessive amounts of data were required; and the model was replaced by a better one. Many of these problems can be attributed to the evolutionary process, as well as the planning process. In most cases, if the planners followed procedures to identify potential uses for the model and completed cost/benefit analyses on the model prior to development, the model probably would not have been discontinued.[1]

State-of-the-art Technologies. During the development of alternatives in long range MIS planning, it may become necessary to assess the impact of state-of-the-art technologies. This is particularly important during the planning process at NAFC. A technology assessment uses sources that provide trend and forecast information to develop impact statements. These impact statements determine how the technology is likely to affect the system application environment within the organization. Additional inputs to be considered in the assessment include the organization's long range objectives and assumptions.[20]

The major reason for an assessment is to determine if the technology will be available when needed. It can also aid in coordinating the use of multiple technologies for application within large organizations such as the Navy. If no assessment is performed, system improvements may be based on out-of-date, less efficient alternatives, which may increase maintenance and enhancement costs.[20]

The development of analyses during the planning effort should strike a balance between the degree of analyses, the cost of the planning process and the cost of the risk that might be experienced from insufficient analyses.

#### Determination of Plan Choices

Senior management should be provided with sufficient information on each feasible alternative to be able to make an educated decision regarding plan choices. The advantages and disadvantages of each alternative should be available along with the results of the analyses. The planners should point out the alternatives which have the best prospects under the "most likely" scenario. Areas of significant vulnerability should be emphasized.

Subsequent to senior management's approval of the Plan choices, the planning staff needs to inform the line managers of the choices, the priorities, the overall goals and objectives, and the rationale behind each of the choices.

For example, the Department of the Army holds a world-wide comptrollers conference each year. Presentations and discussions on the Plan projects and the Plan document are always an item on the conference agenda.

#### Development of Contingency Plans

Contingency plans are developed to accommodate serious departures from plan assumptions and forecasts. The contingency plans act as back-ups to the long range plan to avoid hurried, crisis decisions. Contingency plans are utilized by many major corporations including Dupont, Hanes Corporation, Mead Corporation, Dow Chemical Company and Consolidated Foods Corporation. Contingency plans prevent panic. Without these plans the situation may deteriorate while management decides on a course of action. In addition, contingency planning increases management's awareness of the variable future and forces them to consider all probable events.[21]

The contingency plans should consider only those events that are likely to occur. These plans must contain specified trigger points to alert management to a change in the environment. Early warning signals and action plans should be developed so that procedures are in place in case the contingency plans are needed.

#### Establishment of Linkage Between Long Range and Short Range Plans

The integration of the long range plan with the budget and its use in evaluating performance represents the ultimate application of the planning effort. This is the final evolutionary stage of the planning process. If current decisions do not improve as a result of the long range planning effort, the planning process is not successful and it will eventually become worthless.

The operating managers' participation will be enhanced if his performance is evaluated based on his achievement of plan objectives. However, if the Plan is based on invalid assumptions and projections it becomes very difficult to use as a measure of performance.[32]

Long range planning should precede budgeting. Long range plans will form the framework in which the short range plan will be based. The budget will be adopted only if it contributes to the goals and objectives established in the long range plans.[16] In many instances, managers have used the budget to develop a five or ten year plan. This is because of the difficult conceptual thinking required by long range planning. Completing a budget first, however, results in projecting the current direction rather than determining future direction.

Without a strong linkage between planning and budgeting, managers will continue to emphasize short term decisions while ignoring the long term effects, because that is what they perceive they are being paid to do. This perception is reinforced, since most management incentives are based on budget performance. A linkage will encourage managers to feel a commitment to the future as well as the present.

There are three areas of consideration when attempting to balance long term and short term plans:

- 1) The nature of the industry in which the organization operates is important. Industry factors such as the rate of technological changes will influence how frequently the manager will have to make decision trade-offs that result in a conflict between short and long range plans.
- 2) The structure of the organization and whether decision-making is centralized or decentralized will affect the frequency of short term and long term tradeoffs.
- 3) The amount of human resources allocated to the planning and budgeting function will impact on whether the organization can achieve an effective balance between the two functions.

GSA has attempted to establish its linkage between planning and budgeting through the procurement process. They will not approve any procurement requests unless they are included in the five-year ADP plan. Their linkage falls apart, however, during the updating process. The long range plan is continually updated with the occurrence of any significant event. The budget is updated only once a year. The linkage may start out strong but, with a series of updates to the long range plan, the linkage will begin to deteriorate.

Until an effective planning process and realistic plan document is developed by NAFC, it will not be possible to establish a linkage between the Plan and the Budget. Since this linkage represents the ultimate in plan efficiency, NAFC must wait until they are able to achieve an Advanced Stage planning process. Senior management and operating manager commitment to the planning process is essential to establishing a linkage between the Plan and Budget. This commitment is characteristic of the Advanced Stage of the planning process.

#### Establishment of Control and Feedback Mechanisms

The purpose of the planning effort is to develop long term strategies that provide direction to specific objectives and projects. Control is necessary to ensure the achievement of the objectives and projects as laid out in the Plan.

Essential components of an effective control system are the feedback and evaluation mechanisms. These mechanisms motivate the operating managers toward the planned objectives. Any closing of the gap between planning and control is achieved through managerial action and is, therefore, contingent on the manager's motivation. The control process can be successful only if there are working feedback and evaluation mechanisms.

Controls have a better chance of being accepted when they are perceived as a valuable part of the manager's job. Thus, the objectives being evaluated in the control process must be meaningful and attainable for the individual managers. Manager participation and feedback can be used to obtain acceptance of goals, objectives and controls.

Control systems have a direct impact on how much energy the managers put into the project due to the evaluation process. When one area is not being evaluated, that area will receive low priority. This fact reiterates the importance of the linkage between short range and long range plans. The manager will be evaluated on his achievements of current objectives. Thus, unless there is a linkage between the Budget and the Plan, his efforts will be directed toward short term goals.

In long range MIS plans, feedback from the post audit of systems development should flow back directly to the planning staff and the operating manager. The post audit should assess the efficiency and effectiveness of systems development performance as defined by the goals in the Plan.[23] Since the evaluation of systems is the responsibility of the Planning Branch at NAFC, this function provides an invaluable control device.

The literature suggested the use of a project control form to evaluate performance for MIS plans. The application of a project control format at NAFC could be beneficial to their systems evaluation function and their planning function. The project control form can provide NAFC with the framework for communication between the project manager and the Planning Branch. It can also be used by senior management as a decision-making tool for resource allocations.

The project control form includes items such as resource requirements, milestones, scope, feasibility, goals, objectives, cost/benefit analyses, and the project's effects on other departments. The form should also contain an exception report block for the description of project problems that have occurred and the corrective action taken.[17] The Planning Branch at NAFC can use this form to track and control the project and measure the variance between actuals and planned.

In designing a control system, the planning staff should try to include the following characteristics of effective controls:

- Controls should point out the critical exceptions of key factors. Everything cannot be watched so it is important to concentrate on the important issues.
- Controls must be economical. A control system that costs more than the results it is controlling is not viable.
- Controls must be understandable and reasonable. The control system needs to be easily used by the individuals involved. The controls must be within reason. Overly tight controls can restrict creativity and innovation.
- Controls must be forward-looking so that deviations are detected in time to make corrections. Project reviews can be conducted to assess progress toward meeting milestones and detecting problems.
- Controls must be continuously reviewed. Feedback on the system's effectiveness should be obtained from the users to modify the controls.

Effective control systems are needed to measure progress against plans, detect deviations, identify responsibilities, and suggest corrective action. However, the existence of a control system does not guarantee that control exists, nor does adding more control mechanisms necessarily result in better control. It is the quality, not the quantity, of control that is important. Therefore, controls must be frequently appraised to ensure that they remain effective.

During NAFC's effort to improve its planning function, resources need to be allocated toward the development of an effective control system. The characteristics of an effective control system, which were discussed previously, should be considered. It is important that the controls do not add to the daily burdens of the directorates. If the control system is burdensome, there is little chance of its acceptance.

#### PLAN CONTENTS

An important planning variable is explicitness. The more thoroughly a plan is documented, the more successful it will be. However, the costs versus the benefits must be assessed. Since risk is the main reason for planning, the primary reason for increasing the detail is to minimize risk. A level of detail should be chosen so that the risk level is most cost effective.

The long range plan should take into account the following elements and these elements should be discussed within the Plan document:[2]

- external factors;
- data concerning past and present performances;
- forecasts of the future;
- elements inside the organization;
- the organization's strengths and weakness; and
- opportunities, threats, and other factors that will impact success.

MIS plans should include purpose, priorities, functions, goals, budget, time frames, feasibility studies, and plans for development and operation.[6] When the Plan is based upon a series of projects, such as NAFC, each project can be narratively described.

The narrative should consist of a brief description of the needs along with the scope, benefits and estimated resources.[31] In a long range plan, numbers must take a significantly less dominating role as compared to the short range plans. Numbers may stifle thinking regarding the logic of the situation. This can result in major factors and viable alternatives being overlooked.

### Plan Updates

The updating process ensures that the Plan is a living document that changes with the environment. Without updates, the Plan can become so far removed from reality that it becomes useless. Updates are most effective to management if they include a list of major changes from the previous plan and a brief description of potential trouble spots.

During the updating process, the planning staff needs a vehicle for receiving information on the progress of the projects in process. The information needs to cover all areas of possible changes including milestones, scope, user needs, resource requirements, the impact of recent legislation, and the impact of technological changes.

A set of procedures for updates must be incorporated. These procedures need to address when and how the updating process will occur. Specified types of events may trigger the need for an update, for example. In addition, there may be regularly scheduled updates. The procedures will also outline how the update should be completed including: who will collect the data; who will supply the data; what data will be required; and what method will be used to gather the data.

#### IV. CONCLUSION

In reviewing the divergent long range planning techniques utilized in both private industry and government, it has been repeatedly emphasized that no universal, "off the shelf" planning system exists which can be readily implemented without first considering the specific situational needs of the individual organization. The method of planning within an organization must be tailor-made to fit the characteristics of the organization and the abilities of the planning staff. Despite this difficulty, the overwhelming advantages offered through the use of sound plans make the search for and adoption of effective planning methods a matter of vital importance to organizational success.

Long range or strategic planning was described as the process which enables an organization to set realistic goals so that it can control the future and prosper in the out-years. MIS planning is especially important due to the long lead time necessary for acquisition, design, and development. Planning ensures that the system will maintain a consistent direction throughout the years of design and development.

Several inherent benefits were identified as related to the planning process. Planning provides management with information which can be used for decision-making purposes including data on long range assumptions, risk, alternative strategies, resource allocations, and cost/benefit ratios.

Planning also establishes organization frameworks by determining the work that needs to be done to achieve the Plan goals, the responsible agent for the work, and how the work can be done most efficiently. Planning also aids in motivating the staff by providing them a clear picture of the goals and objectives they are working toward and by providing them with a mode of communication to relate their ideas and suggestions to senior management.

The literature described a number of prerequisites in the organizational structure necessary for an effective planning environment. One of the prerequisites is the institution's readiness to plan. This involves preparing the employees for the planning process by determining, through senior management and the planning staff, the type of contributions expected by the employees involved in the planning effort.

It may be potentially beneficial to NAFC to organize a training session for the directorates to prepare them for the planning process. This training session can focus on the theory of strategic planning, the rationale for the function, the procedures involved in the process, timetables and the willingness of the Planning Branch to provide assistance.

Another prerequisite required for an effective planning effort is senior management commitment. This is regarded by many authorities as a primary

necessity to the planning process. Senior management commitment gives the operating managers motivation to consider the long term effects of their action instead of concentrating on the short term issues. Senior management commitment and involvement can also provide an overall viewpoint of the organization which may be lacking from the input at the operating manager level.

Another prerequisite to the planning effort is the participation of the operating managers. The operating managers can provide invaluable information regarding the probable levels of goal achievement based upon the manager's staff, equipment, and resources. The operating managers' involvement also provides consistency between the long range goals and the short term operating decisions. This involvement is especially important to the area of long range MIS planning due to the specialization of skills and the high level of technical expertise required.

It may be beneficial to NAFC to increase the directorates' involvement in the planning process. The directorates can provide valuable information in the areas of operational systems' problems and needed system improvements and enhancements. Planning conferences or planning committees should be considered as approaches to increasing the directorates' involvement in the development of the Master Plan. The Planning Branch can also stimulate long range thinking through promoting the development of multiple planning strategies and by adopting the role of "devils' advocate".

This report discussed nine steps in the planning process. The first step is the determination of goals and objectives. Goals express the desired state of affairs an organization is attempting to realize. Objectives are ideas or tactics developed to direct the organization toward the attainment of its goals. The importance of this step is that the overall goals and objectives will provide an organization with a future destination. With the determination of a destination, long range plans then provide a "road map" with specific directions to that destination.

The second step in the planning process is the development of planning assumptions. These assumptions need to take into account events in both the external and internal environment involving economic, political and/or technological changes which have a high probability of occurrence within the planning time frame.

The third step in the planning effort involves gathering plan data. In long range MIS planning, a division's input to the plan for a prospective project should include: milestones; system criteria; estimated personnel and dollar resources; cost/benefit analyses; user needs; and desired end products. It would be advantageous to NAFC to increase the directorates' involvement in the planning effort so that their expertise can be fully utilized resulting in a coordinated, unified plan.

The fourth step in the process is the development of alternative strategies. This is an important phase because it forces the participants involved to consider the widest range of feasible solutions, thus, improving the likelihood that the alternative chosen will be the most appropriate given the long



range assumptions. NAFC should take advantage of the methods discussed in this report regarding the simulation of alternatives to maximize the creativity applied to the development of a long range plan.

The fifth step in the planning effort is the analysis of alternatives. Several types of analyses can be considered including: sensitivity, risk, cost/benefit, and state-of-the-art assessments. An assessment of the state-of-the-art enables NAFC to determine which technologies will be available during a development's life cycle and how the technologies might interface with their current systems. The report discussed the use of a simulation model as a tool for conducting analyses and for examining alternatives under multiple scenarios.

The sixth step in the planning process is the determination of plan choices. It is important to provide senior management with adequate data as a basis for choosing the Plan projects, and determining priorities. Subsequent to management's approval of the Plan projects, the Planning Branch of NAFC should issue a report to inform the directorates of the overall goals and objectives, the chosen projects, the rationale behind each choice, and the priority of projects.

The seventh step in the planning effort is the development of contingency plans. Contingency plans are developed to accommodate serious departures from plan assumptions and forecasts. The contingency plans act as back-ups to the Master Plan to avoid hurried, crisis decisions. Without these plans the situation may deteriorate while management decides on a course of action.

The eighth step in the planning effort is the establishment of a linkage between long range and short range plans. Without a strong linkage between the Master Plan and the Budget, the directorates at NAFC will continue to emphasize short term decisions because their performance is monitored and evaluated on deviations from short range plans. A linkage will encourage the directorates' commitment to the future as well as the present.

The final step in the planning effort is the establishment of control and feedback mechanisms. Control improves the likelihood of achieving the objectives and projects laid out in the Plan. An effective control system will measure the progress against plans, detect deviations, identify responsibilities, and suggest corrective action. The report discusses the potential benefits to the Planning Branch of using a project control form to aid them in their planning and systems evaluation functions.

While a great deal has been presented in this report on developing a systematic, orderly method of planning, it is essential to point out that plans in themselves are not nearly as important as the actual thought and analysis that occurs during their preparation. It is obviously of little value to develop plans simply to satisfy procedural requirements. A formally documented master plan is valuable only to the degree it records sound and useful ideas which have emerged from the planning process. If planning is to survive as more than an exercise in pushing numbers into the blank spaces on neatly designed forms, it must progressively evolve along several developmental dimensions. Accordingly, NAFC management should view the planning

process as a continuous task which will require considerable effort to become and remain effective.

Perhaps the most important aspect to be gained in studying the planning methods of other organizations is an appreciation of the need to acquire an orientation toward the future. Only with such a forward outlook can the planning process become a means to shape rather than react to the future.

APPENDIX A  
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APPENDIX B  
AGENCY INTERVIEWS

THE ORKAND CORPORATION

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of the Air Force

Interview Date: March 3, 1983

Type of Interview: On-site

Interviewee: Col. Liss  
Lt. Col. Laird

Interviewers: Terri Ludden  
Walt MacDermid

Documentation Provided: Project AC 90 A Comptroller Strategic Plan for the  
1990's



The Department of the Air Force Accounting and Finance Center (AFAFC) is headed by Lt. General Browning, who is the Comptroller of the Air Force. The Air Force is organized such that the comptroller is considered on the same level as a supply chief (at headquarters and at base level). AFAFC has a definite career path. Most of the new recruits have business degrees and have chosen to make AFAFC their career. The majority of the officers have MBAs and are experts in the accounting and finance fields. Much of the personnel have been on the AFAFC staff for years.

We discussed briefly the Navy's approach of using supply officers to step into controllership spots. The Air Force gentlemen said they would not conceive of that approach for the Air Force because logistics and comptrollership are very different disciplines.

All of the planning for financial systems is done by AFAFC. Their staff includes lawyers and GAO people to handle legislative issues. The Air Force has world-wide standard accounting systems which are centrally directed by the Accounting and Finance center. Each base has standard computer hardware and software, all overseen by AFAFC.

The long range strategic plan for accounting systems is developed by a Planning Work Group chaired by a member of AFAFC. The work group includes members from Budget; Cost and Management Analysis; and Comptroller Representatives from the Air Staff. The Computer Resource Center provides input for automated systems. The Data Design Center works with AFAFC on state-of-the-art innovations to be utilized in the long range plan.

One of the responsibilities of the Work Group during the planning process is to assure that the systems are integrated. This has become especially important with the introduction of mini-computers. AFAFC has a small computer focal point which studies issues in this area.

Subsequent to the completion of the Plan, AFAFC is responsible for the development and implementation of the projects included in the long range plan. Weekly meetings are conducted with the project managers to track the projects currently in process.

POM requests are completed by the functional area involved, in conjunction with the data people who will develop the system. AFAFC is informed by the commands with regard to their POM requests. The Comptroller of the Air Force has an annual world-wide comptroller's meeting where they discuss the strategic plan, problem areas, and subjects of common interest.

Project AC 90, or "A Comptroller Strategic Plan for the 1990's," is the Air Force's long range plan for financial and accounting systems. It describes the 1990's environment and the projects needed to prepare for that environment. It also develops a planning structure and process for updates. The Plan incorporates the Air Force 2000 study which assesses the technological, economic, demographic, and environmental variables for the future. The Plan accommodates the "most likely" scenario. The Work Group develops goals and objectives and reviews all inputs to AC 90 to see that the objectives are fulfilled. They also summarize the projects in process which will impact

future operations and future projects. This allows the current operations to evolve into the AC 90 mold.

The Comptroller of the Air Force is responsible for the overall direction of AC 90. AFAFC chairs the project, monitors the process, and publishes annual updates. The other Work Group members review and approve the projects pertaining to their functional areas.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of the Army

Interview Date: March 16, 1983

Type of Interview: On-site

Interviewees: Leroy Hoole, Jr.  
Deputy Director of Financial Management

Colonel George

Interviewers: Terri Ludden  
Walt MacDermid

Within the Department of the Army's Finance Branch, one half of the Army Controllers have a dual track career consisting of two specialities. The Army officers who choose a dual track career spend the first eight years in their primary duty track consisting of some kind of field activity. After the primary duty has been completed, the officer will start his secondary discipline. If the secondary discipline is accounting and finance, the Army will send the officer to post graduate school and to military controller school. Once the officer is educated in his secondary discipline, his remaining years in the service will be spent in either one or both of his disciplines.

The Army has a five year budget. The core of this budget consists of ongoing projects. Each year new projects can compete for a spot in the five year budget. A project request for approval into the five year budget is about 3 or 4 pages in length and includes a brief narrative description of the project; appropriation and manpower resource information; and cost/benefit analyses. The Comptroller and the Programming Analysis and Evaluation Division are responsible for the coordination of each request.

The competition process involves eight committees who prioritize the ongoing and new projects. Once a project has been approved by the eight committees it must be approved by the Programming and Budgeting Committee and then by the three star Army Comptroller.

Subsequent to approval by the Army Comptroller, the project request is returned to the originating staff for preparation into the POM. At this time additional details and analyses results are included.

The Army has recently begun an execution and review system. This system evaluates officer performance by relating their performance to set plan objectives. The system has been reasonably successful except for a problem with defining the output of the objective. The objective is usually defined in input terms not output terms such as the timing of expected results.

Long range planning is the responsibility of the project managers. The Army has developed a document called Project 2000 which describes where the Army's accounting and financial systems should be in the year 2000. State-of-the-art techniques in the systems area are tracked by the Financial Network Group.

All financial and accounting systems are under the responsibility of the Brigade General, Comptroller of the Army. The Army has a major project which consists of standardizing all the hardware for automated and communication systems. The network consists of five large computer sites within the United States. Each large computer site is associated with eight to twelve distribution process centers. The coordination of this project was the responsibility of the Computer Systems Command. During the developmental stage, the Computer Systems Command completed a survey of the Army staff to determine user requirements.

The Army has another major project which manages the standardization of software applications. This project routes the cost information directly from the installation to the Accounting and Finance Center. Since it was recognized that the system did not provide the installation managers with needed information, the Army is in the process of redesigning the system to give the commanders management tools. One of the management tools included in the system improvement project is a performance module which will measure productivity.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of the Army

Interview Date: April 5, 1983

Type of Interview: Telephone

Interviewees: LTC Richard Hattin  
Pentagon/Fort Benjamin Harrison  
Liaison Officers

COL Hall, Director  
Accounting and Financial Systems  
Policy and Planning Directorate

LTC Christopherson, Director  
Long Range and Contingency Plans  
Section

Interviewer: Walt MacDermid, TOC

In our March 16th interview with Mr. Leroy Hoole, Deputy Director, Financial Management and COL George, Department of the Army, Pentagon, they suggested we contact the U.S. Army Accounting and Finance Center, Fort Benjamin Harrison, Indianapolis, Indiana. Mr. Hoole referred us to LTC Richard Huttin, the Pentagon/Ft. Benjamin Harrison Liaison Officer. LTC referred us to COL. Hall.

COL. Hall, who heads the Accounting and Financial Systems Policy and Planning Directorate, mentioned that there is a small group entitled Long Range and Contingency Plans section that has responsibility for long range financial systems planning. He suggested I call LTC Christopherson, who heads that section, for more information.

LTC Christopherson said that he has been in charge of the Long Range and Contingency Plans section for approximately six months now. The section is authorized two military personnel, 3 civilian analysts, and 1 clerk/typist. Although he is responsible for long range plans, most of his efforts have been focused on contingency and mobilization plans, which have a higher priority right now. Prior to his arrival, someone on his staff did some work on long range plans but this document has not yet been published. He plans to eventually get into long range planning. His long range plans will be primarily "integration" plans in that they will focus on the 1990-2000 time frame and try to intergrate major systems projects currently underway. His section reports to BGEN Adams, Deputy Assistant Comptroller of the Army (Financial Accounting/Product Manager, Army Financial Systems).

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of Energy  
Office of Financial Policy & Accounting

Interview Date: January 27, 1983

Type of Interview: Telephone

Interviewee: Mr. Carl W. Guidice, Director  
Office of Financial  
Policy and Accounting

Interviewer: Walt MacDermid, TOC

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Mr. Guidice said that DOE has some individual initiatives underway, but there is no formal mid to long range planning for financial management systems improvement in the out-years. He said there is a DOE long range planning staff (Mr. Ed Hanrahan is the Deputy Director) that is program oriented. Mr. Guidice believes they are somewhat dormant now due to discussions of major reorganizations and a possible DOE/Commerce merger. He feels that DOE maybe in a unique position with regard to middle and long range planning activity due to the uncertainty about the future of DOE as a department.

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NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: General Services Administration  
Office of Finance

Interview Date: February 2, 1983

Type of Interview: On-Site

Interviewee: Larry Eisenhart  
Deputy Director  
Office of Finance

Interviewers: Terri Ludden  
Walt MacDermid

The General Services Administration (GSA), Office of Finance, is responsible for a 5 year ADP Plan which projects financial and accounting system enhancements and development. This 5 year ADP Plan is done on the macro level and contains assumptions, resource estimates, budget estimates, objectives and project dates.

The Plan is completed solely by the Office of Finance, with little to no input from the Division directors. The final Plan takes approximately 4 to 5 weeks to complete using a staff ranging from 1 to 5 people. The staff includes: the Director of the Office of Finance; the Deputy Director; and planning analysts. Both the Director and Deputy Director have held those positions for approximately one year and they have originated this 5 year ADP plan within the last year. The Deputy Director is the main person responsible for the development of the Plan which is reviewed by a steering committee and approved by senior management.

The Office of Finance also completes a short range plan with a one year time frame. This is a detailed plan with actual budget resources, project milestones, and names of the people responsible for each phase. The Division directors provide all the input for this plan and the Office of Finance coordinates the input from each division into an overall 1 year ADP Plan. During the coordination process the Office of Finance checks to make sure that the short range plan ties to the budget and that there are no planning conflicts among divisions.

The Office of Finance has two main methods of assuring that the Division directors are committed to the Plan and the planning process. In the short range plan the Division directors provide all the input. It is very detailed with weekly and monthly project and employee milestones. The Office of Finance conducts weekly meetings with each director to discuss actual progress versus plan. It is determined whether variances to Plan are due to factors which are controllable or uncontrollable by the Division director and what changes are necessary to correct the variance. The variance to plan is used as a performance evaluation criteria. The objective of this type of evaluation criteria is to make sure that the managers are managing properly and using their resources efficiently.

To assure organizational commitment to the long range plan, GSA does not approve any procurement contracts on prospective system enhancements unless that project is included in the 5 Year ADP Plan.

The 5 Year ADP Plan contains the system enhancements and improvements necessary to meet overall GSA objectives and to solve current operating deficiencies. The first section of the plan lists the GSA objectives and the operational areas needing improvement. Listed alongside each objective and problem area are the projects (current and prospective) which address each particular issue. This approach assures senior management that the Plan focuses not only on current operational problems but also addresses system deficiencies which are going to effect the achievement of GSA goals and objectives.

There are two main reasons why the individual Division directors provide little long range plan input. First, since the Office of Finance meets with the Director once a week to discuss the variance to short range plans, the Office of Finance is already familiar with the progress of current projects. Second, both the Director and the Deputy Director of the Office of Finance are extremely knowledgeable about the daily operations of the Divisions through years of operational experience (both came from the field). Therefore, it is not imperative for the Office of Finance to receive input as to the areas of operational problems and deficiencies from the Division directors. The Office of Finance is already intimately knowledgeable on needed system enhancements. However, Mr. Eisenhart emphasized that someone without prior GSA operations experience would have to depend much more on the knowledge of the individual Division directors. In this situation, it is necessary to have an open communication line achieved through continual dialogue to stimulated planning input from the project directors.

Mr. Eisenhart cited some problems associated with their long range planning process. A foremost problem is the lack of staff support. GSA has made a six percent personnel cut. The majority of the cut has been made in staff functions, such as the Office of Finance, rather than operational areas. Second, the operational directors are concerned mainly with the short term and these directors complain that Management and the Office of Finance are not addressing their problems quickly enough. Mr. Eisenhart feels that this is because the directors do not understand the constraints Management puts on future system enhancements.

Future improvements to the planning process that Mr. Eisenhart would like to see include: linking the long range plan to the budget; and an increase in the planning staff.

One of the future goals of the Office of Finance is to make the long range plan tie to the budget and the short range plan. Currently, the short range plan, the budget, and the long range plan do not correspond because of the updating process. The short range plan is updated only on an annual basis at the same time as the budget. However, the long range plan is updated as required due to environmental changes.

The Office of Information Resource Management (OIRM) has provided GSA with a set of procedures and forms for updating the approved long range Plan. Each Division director is responsible for submitting an update form to the Office of Finance when a significant event affects the projects they have currently in process. The Office of Finance is responsible for updating the long range plans on prospective projects. The update process is taken very seriously because no procurement proposal can be submitted unless it is contained in the 5 Year ADP Plan.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of the Interior  
Interview Date: February 2, 1983  
Type of Interview: Telephone  
Interviewee: John Coil  
Chief of Program Development Division  
Interviewer: Terri Ludden  
Documents  
Provided: IRM Long-Range Plan  
FY 1983-1987  
Volumes I-III

Mr. Coil expressed the opinion that there are three important characteristics of a long range planning document:

- 1) The Plan needs to be flexible.
- 2) The Plan needs to address goal achievement and resources.
- 3) The Plan needs to relate to program director needs.

The Department of the Interior has a five year plan which is developed through the coordination of all the Department's Bureaus and the Office of the Secretary. Necessary staff work is completed by the Office of Information Resources Management. The Plan develops the roadmaps and strategy for improving the information resources management (IRM).

DOI's long range plan is contained in three volumes. Volume I is an executive summary. Volume II discusses: the Department's IRM overall goals and objectives; the planning process; and the planning environment. Volume III contains project information such as project priorities, personnel estimates, resource estimates, tasks statement of work and milestones.

To initiate Bureau cooperation for the planning process, the Office of Secretary provides the Bureaus with information on the planning effort, the benefits they can expect and the desirability of an active role by the Bureaus. The Bureaus are then asked to provide input on the plan structure, on the ranking of goals and objectives and on the IRM issues discussed in working papers. The Bureaus are also asked to provide plan input in the form of their own plans and ideas and suggestions of possible ventures with other Bureaus.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Joint Financial Management Improvement Program

Interview Date: January 25, 1983

Type of Interview: On-site

Interviewee: Mr. Ken Winne  
Senior Project Director  
JFMIP Staff

Interviewers: Walt MacDermid

Documentation Provided: JFMIP Directory 1982-1983

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Mr. Winne mentioned that prior to joining the JFMIP staff, he had worked at GAO where he was involved in auditing Navy accounting systems in 1975. He said that he believes a major problem with improving the Navy's financial management systems is organizational—so much authority rests with the local commands or activities. He recalls reviewing the progress on the Integrated Disbursing and Accounting (IDA) system back in 1975. At that time there were two development efforts going on: one on the west coast and one on the east coast. He said this approach of having multiple development efforts has been used on other applications with the result that the systems installed at each site perform somewhat different functions and have different software. This makes the GAO certification process more difficult because GAO conclusions drawn at one site are not necessarily valid at another site.

Mr. Winne talked about the difference between the Navy's approach to financial management and the approach used by the Army and the Air Force. The Army and the Air Force have much more centralized control over the development and operation of financial systems. Also, both the Air Force and Army have separate Finance Corps. He believes this serves to elevate the importance of financial management in the respective service. In Mr. Winne's opinion, the Navy will not make much progress in financial management systems until it corrects the underlying and fundamental issue of centralization/de-centralization, and top management gives FMIP higher priority.

When asked about the merits of an outreach program in which NAFC planners would go out to field activities to conduct training sessions on planning, Mr. Winne thought it was a good idea, but NAFC had to establish credibility first. A good way for NAFC to establish credibility with the field would be to complete successfully a major project such as IDA.



NAVY ACCOUNTING AND FINANCE CENTER

PLANNING BRANCH

MEETING NOTES

Function: The Twelfth Annual Joint Financial Management  
Improvement Conference

Date: March 30, 1983

Subject: Financial Management Reform

Attending: John Malzahn

THE ORKAND CORPORATION

## KEYNOTE ADDRESS

**Speaker:** J.P. Bolduc  
Chief Executive Officer, W.R. Grace and Co.  
Chief Operating Officer, President's Private Sector  
Survey on Cost Control

**Subject:** Major Recommendations of the Grace Commission on  
Financial Management

The President's Private Sector Survey on Cost Control (PPSS) was established by President Reagan in 1982, prompted by the extremely high federal deficit and concerns over inefficiencies in federal government. The study is being performed on a voluntary basis by the Grace Commission which is composed of various senior executives from private industry. The overall objective of the PPSS is to implement efficient private sector business practices into governmental operations.

The major problem determined by the Grace Commission to date, is the lack of accurate financial data by which government managers could make operations more efficient. Many costs incurred by government can not be properly identified. Over 300 separate accounting systems and more than 5000 procurement data bases are estimated to be present in the federal government, although no one is certain of the accuracy of these figures. Many of these accounting systems are incompatible. Despite this there is a great deal of commonality present among the needs of users. Thus, there exists the possibility for a great deal of integration. Without good accounting systems, federal managers are unable to capture the appropriate financial information necessary to make cost saving decisions.

The size of the government's problem is exacerbated by several organizational factors. Government agencies maintain excessive number of field offices, which offer duplicative services. In several of the executive departments, management has no idea how many field offices were present. Within the top management ranks of these departments there is an unusually high level of turnover among political appointees which precipitates a lack of maintained direction in government.

There is extremely little coordination between government functions. The three principle agencies responsible for this task, OPM, GSA and OMB, can not even agree among themselves. President Reagan himself has attempted to correct this lack of common direction in government operations but has been unable to obtain better integration perhaps because of his unusually large span of control. The President currently has over 60 people reporting directly to him, hardly a manageable number. As a result, there remains no singular, cohesive, governmentwide, long range plan to improve efficiency.

Several significant changes are predicted to be forthcoming in government financial management in the 1980's. There will be a new integrative approach to financial operations adopted involving strategy, structure, systems, and the critical issue, people. In the area of structure, specific areas of accountability must be detailed in government. A strategy for achieving efficient operations must be constructed. However, government leaders must first decide what should be done. Very little thought is given to the future. Fiscal budgeting in fact has become a process of planning for past events on government. Changes in personnel policy needed include definitions of criteria and specifications for individuals with financial responsibility. This should not be limited to civil servants but should also include political appointees.

Ten critical factors were presented as essential for success in government financial management.

- Flexibility - the future demands that financial systems be adaptable to change.
- Risk - financial managers in government must be willing to accept the possibility of gains or losses in decisions.
- Communications - financial managers must develop the ability to converse with non-financial personnel in a way that they are able to understand.
- Organizational Orientation - Experience outside functional specialties is needed by financial managers to make them more sensitive to the broader needs of the organization.
- Timeliness - Financial information must be received soon enough to aid in decision making in order to be of value.
- Technological Awareness - A general knowledge of automated data systems is required of all federal financial managers.
- Holistic Approach - The Financial Manager must observe the overall situation impacting the organization, not just one specific functional area.
- Utilization of Critical Factors - Identify key factors for success and avoid expending too much effort on those which are incidental.
- Power - The growing dependence of organizations on financial information, will give financial managers the ability to direct and control.
- Justification of Existence - Financial managers must be able to continually demonstrate what contributions they make to the organization.

## WORKSHOP ON REFORM IN FINANCE AND ACCOUNTING

Speaker: Clyde Jeffcoat, Deputy Commander, U.S. Army Accounting and Finance Center, Fort Benjamin Harrison Indianapolis, Indiana

Subject: An Agency Perspective on Reform '88

There are three principle reasons behind the Department of the Army's attempts to modernize its financial management systems. The first and most obvious motive is the need to increase the efficiency and economy of the Army's financial operations. It has been estimated that as much as \$60 million per year in labor costs alone could be saved through automation of many existing procedures. The Army Accounting and Finance Center is experimenting with several state-of-the-art techniques for possible implementation in the future. In the area of pay dispersal \$30 million in interest cost could be saved annually by adopting the use of ATMS. By streamlining operations, the Army can also provide better service to soldiers.

A second reason behind financial modernization is more politically motivated. Over the past few years the Department of Defense's budget has come under increased Congressional scrutiny and has been the subject of intense criticism. The elimination and reduction of several essential programs in financial management which the Army had budgeted for the current fiscal year were directly attributed to poor accounting practices.

The third reason for modernization is the need for greatly improved internal controls to abate fraud and waste. At present the Army is unable to detect cases of abuse until well after they have occurred. Certain systems have been identified as being highly susceptible to breakdowns in compliance. This issue is receiving special attention due to the enactment of the Federal Managers Financial Management Improvement Act.

Despite the Army's desire to upgrade its financial management systems several environmental influences exist as barriers to improvement. Funds for financial management improvement programs remain very difficult to obtain. The military suffered a prolonged period of austerity after the Vietnam era which continues to impact the services. As a result, much of the data processing hardware used by the Army has become obsolete. However, Congress has been unwilling to allow aquisition of state-of-the-art computer equipment by the Army.

Personnel in financial management also present a hindrance to improvement in certain cases. The biggest problem is the lack of skilled systems analysts and programmers necessary to develop new financial systems. There is also a need to tighten up professional standards of the workforce. Specifically more MBA's and CPA's are required to perform the financial management function. In addition to this, Civil Service classification standards for many financial management positions should be revised. At present, highly skilled

individuals with large amounts of responsibility are unable to advance in career status due to grade restrictions for certain Civil Service positions. If quality people are to be retained in government, continuous opportunities for advancement should exist.

The continuous development of new laws and policies also impact on Army financial reform. An example of this in the area of pay deipersing. Because Military pay is tied into the DoD budget, it is subject a great deal more legislative complexity than civilian pay. As a result a standardized payroll accounting system for both military and civilian personnel can not be utilized, and the processes require substantially more effort to manage.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: National Aeronautics and Space Administration

Interview date: January 27, 1983

Type of Interview: Telephone

Interviewee: Mr. Dan Bokelman  
Financial Management Division

Interviewer: Walt MacDermid

Mr. Bokelman emphasized that NASA is very decentralized, with each field activity doing its own operations and related planning. NASA does have a payroll centralization project underway which has a 5-year horizon. Other than that, he is not aware of anyone doing middle to long range planning for financial systems.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: NAVDAC  
Date of Interview: March 10, 1983  
Type of Interview: On-Site  
Interviewee: Pam Banning and staff members  
Interviewers: Ben Gold  
Terri Ludden  
Walt MacDermid



Pam Banning described the interface between NAVDAC and NAFC during the planning process as consisting of NAVDAC sending information to NAFC on the commands systems request for ISSP approval. NAFC is then suppose to examine the ISSP information and give NAVDAC comments on the requests regarding how the requested systems relate to other Navy Systems and whether there is any redundancy. NAVDAC relays this information to the commands to be utilized in the command's system requests for next year.

Ms. Banning feels that there is some confusion within NAVCOMPT on the division's roles and responsibilities. For example, when Jim Smith's predecessor was developing long range plans, one of the other NAFC directors was developing planning information from a policy prospective.

Ms. Banning and her staff members feel that it is the Planning Division's responsibility to manage the interface between accounting systems. In addition, as the functional sponsor of financial and accounting systems they should examine system requests (initiating research and analysis) to make sure the system is not redundant, and highlight areas with standardization potential. An example cited was the accounting systems requested by both the Atlantic Fleet and the Pacific Fleet.

NAFC has given NAVDAC goals and objectives to follow, but it is not clear to NAVDAC what the extent of NAFC's authority is to develop standardized systems.

NAVDAC does recognize that there is a problem with accounting systems skirting NAVCOMPT approval. This is because many systems have missions other than accounting and thus, the accounting portion is deemphasized. For example, a shipyard MIS system request will focus on its mission to repair ships and not the accounting portion of the MIS.

Ms. Banning feels that NAVCOMPT is further along than any of the other departments in recognizing the responsibility of a functional sponsor. She feels that very few of the other sponsors have realized their duties to DON-wide systems and they also have not recognized the need for standardized systems. NAVCOMPT is trying to develop a process to analysis the Navy-wide accounting systems. The NAVCOMPT staff is aware of what needs to be done and have started by developing one CDA at Pensacola.

Due to the separation of the budgeting and accounting departments NAVCOMPT has difficulty controlling the development of financial and accounting systems. However, there has been some leeway in the controlling area. As a requirement of the Life Cycle Management, the Mission Element Statement must now coincide with the POM submission. Also, Code 10 examines systems with costs over \$5M for Life Cycle Management approval.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Nuclear Regulatory Commission  
Interview Date: January 31, 1983  
Type of Interview: Telephone  
Interviewee: Mr. Angelo Puglise  
Director of Accounting and Finance  
Interviewer: Terri Ludden

Mr. Puglise said that the NRC is a small agency with only 3,300 employees. The agency has no documented long range plan for financial systems and no set milestones for project completions. Currently his department is working on an automated payroll system and accounting system. They want to test these functions by September of this year. After those projects are complete, they will initiate an agency personnel system which will integrate with the functions mentioned above. The time frame for the personnel system is two years. They have no other system enhancements or improvements under consideration for the out-years.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Office of Personnel Management  
Interview Date: February 11, 1983  
Type of Interview: On-site  
Interviewee: Mr. Sidney Conley  
Budget Chief  
Interviewer: Terri Ludden

The Office of Personnel Management is a small agency with 6,000 employees. OPM has no agency-wide middle or long range plans. In the past, a 5 year plan was documented, however, this was discontinued because the project managers just used a straight-line method to forecast current project's progress in the out-years. The reason for the lack of enthusiasm in long run planning is because OPM considers itself a stable agency with little or no change in duties or staff from year to year. The only major variable which would impact OPM's out-year objectives and general direction is a significant legislative event. Since it is impossible to forecast the occurrence of such an event, OPM has assumed that the agency will continue in the out-years as it is currently.

The Directors complete divisional long range plans only if they feel it is necessary and only for intra-departmental use. The only time these long range plans are made available to senior management is when it is necessary to get management approval for a long term procurement or when a large monetary outlay (e.g., purchase of a main frame computer) is necessary. If a significant project or purchase is planned in the out-years, a short paragraph will appear in the narrative portion of the fiscal year budget informing OMB and management of the forthcoming events.

OPM has a central finance and accounting division located in D.C. which takes care of all the accounting, payroll and disbursing functions for the agency. Any future system enhancements or improvements to the accounting or financial systems are completed for intra-departmental use and approved by senior management only when necessary. OPM has a very informal process where the division director just sits down and discusses future system ideas with the OPM Director.

Mr. Conley is responsible for the development of the budget for the upcoming fiscal year. The budget process is initiated by senior management when it sets the priorities and goals and objectives for the agency for the upcoming fiscal year. The individual division directors then use management's instructions to develop their budget input. It is Mr. Conley's responsibility to coordinate the input into a agency-wide budget; to make sure the budget meets management objectives; and to act as the liason between the director and management during the budget approval process. The budget is divided into OPM's five major functions: 1) staffing; 2) compliance and investigations; 3) work force productivity assessments; 4) compensation; and 5) support.

Mr. Conley's division completes an actual versus budget report monthly. In theory, the merit pay employees are suppose to be evaluated based upon their variance to plan, however, management is very weak in this area.

The budget is updated annually. Unscheduled revisions to the budget are completed if there are significant shifts, however, these updates are not documented.

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of State

Interview Date: February 8, 1983

Type of Interview: On-site

Interviewee: Mr. Joseph Linneman, Director  
Office of Financial Systems

Interviewers: Lisa Bernstein  
Terry Ludden

Mr. Linneman explained that, unlike other agencies, such as DON, the Department of State's budget process is not directed toward the fulfillment of mission or programmatic objectives but rather toward the maintenance of an "infrastructure" of buildings and personnel. According to Mr. Lenneman, the maintenance of a stable force of personnel precludes the need for long range financial planning. In fact, he stated that when budgets are tight, financial system improvements are the first to get dropped because "as long as people get their paychecks no one is really concerned about financial improvement."

The only financial planning apparent at the State Department entails projecting 18 months into the future. This short range planning process entails adjustment of present expenditures for inflation. Specific program plans are submitted by department heads to the Central Budget Office who reviews the plans and then returns them to the bureaus to be forwarded to the Controller. At the Controller level the program emphasis is translated into dollars. Those programs on the ranked "wish list" that appear above the budget cut off are the ones that receive funding, others are dropped. Forward projections on building and equipment are developed for five years out.

The Department of State acts as the U.S. Treasury for overseas. There is a five year financial improvement project being conducted by a consulting firm for the DOS. The planning for the five year project was completed by the consulting firm and approved by the Department of State. The duties include accounting unfortunately, budget execution, disbursements, and accrual accounting, the financial systems are not given much emphasis. The attitude of DOS is reflected by Mr. Linnemans's remark that "we've had the same accounting system for 35 years and after the implementation of this current improvement it will probably remain the same for the next 35 years."

NAVY ACCOUNTING AND FINANCE CENTER

PLANNING DIVISION

AGENCY INTERVIEW REPORT

Agency: Department of the Treasury  
Bureau of Government Financial Operations

Interview Date: January 12, 1983

Type of Interview: On-site

Interviewee: Mr. Jeff Smith  
Government Accounting Systems Staff  
Bureau of Government Financial Operations

Interviewers: Walt MacDermid  
Ben Gold  
Ben Miller

Other Attendees: Robert Lane, Government Accounting Systems Staff

Documentation Provided: Project Plan for Developing Enhancements to  
Governmentwide Accounting Systems: October 1981



Jeff Smith described the difference between the BGFO Business Management Plan and the Project Plan. The Business Management Plan is updated annually and uses a seven-year planning horizon. The update process involves management attending a planning conference. This conference helps to force prioritization of strategies and objectives. This planning process is still in its infancy--FY82 was the first year in which was used.

Impetus for the improved planning process came from the BGFO Commissioner Ernie Douglas. He established the Directorate of Planning and Development. The Director is a GS-15 and has about four GS-14 planning analysts working for him. An important feature of the Business Management Plan is that if projects are not planned for by incorporation in the Plan, they will not be included in the budget submission. Projects in the FY83 plan can be incorporated in the FY85 budget submission.

Mr. Smith provided a brief background understanding of the BGFO environment. He described the nature of present accounting system and how they are "paper-intensive" and include numerous manual procedures. The Mitre Corporation was engaged to develop the Project Plan for Developing Enhancements to Governmentwide Accounting Systems. The engagement was a six-month effort and involved MITRE consultants. The Plan provided a "road map" and gave BGFO some criteria by which they could measure their progress. The Plan called for a \$19 million over a ten-year horizon. An FY84 horizon was used for budget purposes.

Among the things called for in the plan were:

- o issue papers,
- o a Phase I baseline analysis using structured techniques,
- o a data dictionary (using Data Manger, Release 4.0),
- o issues analysis matrix,
- o a collection study assessing out-year environment, and
- o a payments study assessing out-year environment.

As of January 1983, BGFO is three-months behind schedule in implementing the Project Plan. He suspects they will be six-months behind schedule after two-and-a-half years from the start date (October 1981). Only 25% of the funding for the plan has been approved so far.

Mr. Smith mentioned that although there are only 128 agencies, the Treasury has approximately 9,000 reporting points. A long-range goal would be to reduce the number of reporting points significantly.

When asked if the Project Plan was a "living document" to be updated periodically, Mr. Smith said no--it is essentially a dead document. However, the Business Management Plan is updated periodically and this process would include making revisions of those portions of the Management Plan that involve the Project Plan.

Mr. Smith recommended that the Department of the Navy (DON) establish a formal Treasury liaison at the highest level and supplement this with informal coordination at lower levels. This will facilitate DON's ability to adapt to new Treasury requirements as they are issued.

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